

# House File 2794 - Enrolled

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HOUSE FILE 2794

## AN ACT

RELATING TO THE POLICY AND TECHNICAL ADMINISTRATION OF THE TAX AND RELATED LAWS BY THE DEPARTMENT OF REVENUE, INCLUDING ADMINISTRATION OF AND TAX EXEMPTIONS UNDER THE INCOME, SALES, USE, LOCAL OPTION SALES, AND PROPERTY TAXES, UPDATING THE STREAMLINED SALES AND USE TAX, AND INCLUDING EFFECTIVE AND RETROACTIVE APPLICABILITY DATE PROVISIONS.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

## DIVISION I

### TAX ADMINISTRATION AND POLICY

Section 1. Section 15E.193B, subsection 8, unnumbered paragraph 1, Code Supplement 2005, is amended to read as follows:

The amount of the tax credits determined pursuant to subsection 6, paragraph "a", for each project shall be approved by the department of economic development. The department shall utilize the financial information required to be provided under subsection 5, paragraph "e", to determine the tax credits allowed for each project. In determining the amount of tax credits to be allowed for a project, the department shall not include the portion of the project cost financed through federal, state, and local government tax credits, grants, and forgivable loans. Upon approving the amount of the tax credit, the department of economic development shall issue a tax credit certificate to the eligible housing business except when low-income housing tax credits authorized under section 42 of the Internal Revenue Code are used to assist in the financing of the housing development in which case the tax credit certificate may be issued to a partner if the business is a partnership, a shareholder if the business is an S corporation, or a member if the business is a limited liability company in the amounts designated by the eligible partnership, S corporation, or limited liability company. An eligible housing business or the designated partner if the business is a partnership, designated shareholder if the business is an S corporation, or designated member if the business is a limited liability company, or transferee shall not claim the tax credit unless a tax credit certificate issued by the department of economic development is attached to the taxpayer's return for the tax year for which the tax credit is claimed. The tax credit certificate shall contain the taxpayer's name, address, tax identification number, the amount of the tax credit, and other information required by the department of revenue. The tax credit certificate shall be transferable if the housing development is located in a brownfield site as defined in section 15.291, if the housing development is located in a blighted area as defined in section 403.17, or if low-income housing tax credits authorized under section 42 of the Internal Revenue Code are used to assist in the financing of the housing development. Not more than three million dollars worth of tax credits for housing developments that are located in a brownfield site as defined in section 15.291 or housing developments located in a blighted area as defined in section 403.17 shall be transferred in one calendar year. The three million dollar annual limit does not apply to tax credits awarded to an eligible housing business having low-income housing tax credits authorized under section 42 of the Internal Revenue Code to assist in the financing of the housing development. The department may approve an application for tax credit certificates for transfer from an eligible housing business located in a brownfield site as defined in section 15.291 or in a blighted area as defined in section 403.17 that would result in the issuance of more than three million dollars of tax credit certificates for transfer provided the department, through negotiation with the eligible business, allocates those tax credit certificates for transfer over more than one calendar year. The department shall not ~~issue~~ approve more than one million five hundred thousand

3 4 dollars in tax credit certificates for transfer to any one  
3 5 eligible housing business located in a brownfield site as  
3 6 defined in section 15.291 or in a blighted area as defined in  
3 7 section 403.17 in a calendar year. If three million dollars  
3 8 in tax credit certificates for transfer have not been issued  
3 9 at the end of a calendar year, the remaining tax credit  
3 10 certificates for transfer may be issued in advance to an  
3 11 eligible housing business scheduled to receive a tax credit  
3 12 certificate for transfer in a later calendar year. Any time  
3 13 the department ~~issues~~ approves a tax credit certificate for  
3 14 transfer which has not been allocated at the end of a calendar  
3 15 year, the department may prorate the remaining certificates to  
3 16 more than one eligible applicant. If the entire three million  
3 17 dollars of tax credit certificates for transfer is not issued  
3 18 in a given calendar year, the remaining amount may be carried  
3 19 over to a succeeding calendar year. Tax credit certificates  
3 20 issued under this chapter may be transferred to any person or  
3 21 entity. The department of economic development shall notify  
3 22 the department of revenue of the tax credit certificates which  
3 23 have been approved for transfer. Within ninety days of  
3 24 transfer, the transferee must submit the transferred tax  
3 25 credit certificate to the department of ~~economic development~~  
3 26 revenue along with a statement containing the transferee's  
3 27 name, tax identification number, and address, and the  
3 28 denomination that each replacement tax credit certificate is  
3 29 to carry and any other information required by the department  
3 30 of revenue. Within thirty days of receiving the transferred  
3 31 tax credit certificate and the transferee's statement, the  
3 32 department of ~~economic development~~ revenue shall issue one or  
3 33 more replacement tax credit certificates to the transferee.  
3 34 Each replacement certificate must contain the information  
3 35 required to receive the original certificate and must have the  
4 1 same expiration date that appeared in the transferred tax  
4 2 credit certificate. Tax credit certificate amounts of less  
4 3 than the minimum amount established by rule of the department  
4 4 of economic development shall not be transferable. A tax  
4 5 credit shall not be claimed by a transferee under subsection  
4 6 6, paragraph "a", until a replacement tax credit certificate  
4 7 identifying the transferee as the proper holder has been  
4 8 issued.

4 9 Sec. 2. Section 68A.102, subsection 21, Code Supplement  
4 10 2005, is amended to read as follows:

4 11 21. "State income tax liability" means the state  
4 12 individual income tax imposed under section 422.5 ~~reduced by~~  
4 13 ~~the sum of the deductions from the computed tax as provided~~  
4 14 ~~under section 422.12, less the amounts of nonrefundable~~  
4 15 ~~credits allowed under chapter 422, division II.~~

4 16 Sec. 3. Section 257.21, unnumbered paragraph 2, Code 2005,  
4 17 is amended to read as follows:

4 18 The instructional support income surtax shall be imposed on  
4 19 the state individual income tax for the calendar year during  
4 20 which the school's budget year begins, or for a taxpayer's  
4 21 fiscal year ending during the second half of that calendar  
4 22 year and after the date the board adopts a resolution to  
4 23 participate in the program or the first half of the succeeding  
4 24 calendar year, and shall be imposed on all individuals  
4 25 residing in the school district on the last day of the  
4 26 applicable tax year. As used in this section, "state  
4 27 individual income tax" means the taxes computed under section  
4 28 422.5, less the amounts of nonrefundable credits allowed in  
4 29 sections 422.11A, 422.11B, 422.12, and 422.12B under chapter  
4 30 422, division II.

4 31 Sec. 4. Section 331.605B, Code 2005, is amended to read as  
4 32 follows:

4 33 331.605B FEES COLLECTED == AUDIT.

4 34 1. The recorder shall make available any information  
4 35 required by the county or state auditor concerning the fees  
5 1 collected under section 331.605A for the purposes of  
5 2 determining the amount of fees collected and the uses for  
5 3 which such fees are expended.

5 4 2. A recorder shall collect only statutorily authorized  
5 5 fees for land records management. A recorder shall not  
5 6 collect a fee for viewing, accessing, or printing documents in  
5 7 the county land record information system unless specifically  
5 8 authorized by statute. However, a recorder may collect actual  
5 9 third-party fees associated with accepting and processing  
5 10 statutorily authorized fees including credit card fees,  
5 11 treasury management fees, and other transaction fees required  
5 12 to enable electronic payment. For the purposes of this  
5 13 subsection, the term "third-party" does not include the county  
5 14 land record information system, the Iowa state association of

5 15 counties, or any of the association's affiliates.

5 16 Sec. 5. Section 368.11, subsection 3, paragraph m, Code  
5 17 Supplement 2005, is amended to read as follows:

5 18 m. In the discretion of a city council, a provision for a  
5 19 transition for the imposition of city taxes against property  
5 20 within an annexation area. The provision shall allow for an  
5 21 exemption from taxation of the following percentages of  
5 22 assessed valuation according to the following schedule:

- 5 23 (1) For the first and second years, seventy-five percent.
- 5 24 (2) For the third and fourth years, sixty percent.
- 5 25 (3) For the fifth and sixth years, forty-five percent.
- 5 26 (4) For the seventh and eighth years, thirty percent.
- 5 27 (5) For the ninth and tenth years, fifteen percent.

5 28 An alternative schedule may be adopted by the city council.  
5 29 However, an alternative schedule shall not allow a greater  
5 30 exemption than that provided in this paragraph. The exemption  
5 31 shall be applied in the levy and collection of taxes. The  
5 32 provision may also allow for the partial provision of city  
5 33 services during the time in which the exemption from taxation  
5 34 is in effect. If the city council provides for a transition

5 35 for the imposition of city taxes against property in an

6 1 annexation area, all property owners included in the

6 2 annexation area must receive the transition upon completion of  
6 3 the annexation.

6 4 Sec. 6. Section 404A.4, subsection 5, unnumbered paragraph  
6 5 1, Code Supplement 2005, is amended to read as follows:

6 6 Tax credit certificates issued under this chapter may be  
6 7 transferred to any person or entity. Within ninety days of  
6 8 transfer, the transferee must submit the transferred tax  
6 9 credit certificate to the ~~state historic preservation office~~  
6 10 department of revenue along with a statement containing the  
6 11 transferee's name, tax identification number, and address, and  
6 12 the denomination that each replacement tax credit certificate  
6 13 is to carry and any other information required by the  
6 14 department of revenue. Within thirty days of receiving the  
6 15 transferred tax credit certificate and the transferee's  
6 16 statement, the ~~office~~ department of revenue shall issue one or  
6 17 more replacement tax credit certificates to the transferee.  
6 18 Each replacement certificate must contain the information  
6 19 required under subsection 2 and must have the same expiration  
6 20 date that appeared in the transferred tax credit certificate.  
6 21 Tax credit certificate amounts of less than the minimum amount  
6 22 established by rule of the ~~state historic preservation office~~  
6 23 shall not be transferable. A tax credit shall not be claimed  
6 24 by a transferee under this chapter until a replacement tax  
6 25 credit certificate identifying the transferee as the proper  
6 26 holder has been issued.

6 27 Sec. 7. Section 421.17, subsection 14, Code Supplement  
6 28 2005, is amended by striking the subsection.

6 29 Sec. 8. Section 422.5, subsection 1, paragraph j,  
6 30 subparagraph (2), unnumbered paragraph 2, Code 2005, is  
6 31 amended to read as follows:

6 32 This subparagraph shall not affect the amount of the  
6 33 taxpayer's ~~checkoff to the Iowa election campaign fund under~~  
6 34 ~~section 68A.601, the checkoff for the fish and game fund in~~  
6 35 ~~section 456A.16 checkoffs under this division, the credits~~  
7 1 ~~from tax provided in sections 422.10, 422.11A, and 422.12~~  
7 2 ~~under this division, and the allocation of these credits~~  
7 3 ~~between spouses if the taxpayers filed separate returns or~~  
7 4 ~~separately on combined returns.~~

7 5 Sec. 9. Section 422.5, subsection 1, paragraph k,  
7 6 subparagraph (2), subparagraph subdivision (b), Code 2005, is  
7 7 amended to read as follows:

7 8 (b) Twenty-six thousand dollars for a single person or ~~an~~  
7 9 ~~unmarried~~ a head of household.

7 10 Sec. 10. Section 422.5, subsection 2, Code 2005, is  
7 11 amended to read as follows:

7 12 2. However, the tax shall not be imposed on a resident or  
7 13 nonresident whose net income, as defined in section 422.7, is  
7 14 thirteen thousand five hundred dollars or less in the case of  
7 15 married persons filing jointly or filing separately on a  
7 16 combined return, ~~unmarried~~ heads of household, and surviving  
7 17 spouses or nine thousand dollars or less in the case of all  
7 18 other persons; but in the event that the payment of tax under  
7 19 this division would reduce the net income to less than  
7 20 thirteen thousand five hundred dollars or nine thousand  
7 21 dollars as applicable, then the tax shall be reduced to that  
7 22 amount which would result in allowing the taxpayer to retain a  
7 23 net income of thirteen thousand five hundred dollars or nine  
7 24 thousand dollars as applicable. The preceding sentence does  
7 25 not apply to estates or trusts. For the purpose of this

7 26 subsection, the entire net income, including any part of the  
7 27 net income not allocated to Iowa, shall be taken into account.  
7 28 For purposes of this subsection, net income includes all  
7 29 amounts of pensions or other retirement income received from  
7 30 any source which is not taxable under this division as a  
7 31 result of the government pension exclusions in section 422.7,  
7 32 or any other state law. If the combined net income of a  
7 33 husband and wife exceeds thirteen thousand five hundred  
7 34 dollars, neither of them shall receive the benefit of this  
7 35 subsection, and it is immaterial whether they file a joint  
8 1 return or separate returns. However, if a husband and wife  
8 2 file separate returns and have a combined net income of  
8 3 thirteen thousand five hundred dollars or less, neither spouse  
8 4 shall receive the benefit of this paragraph, if one spouse has  
8 5 a net operating loss and elects to carry back or carry forward  
8 6 the loss as provided in section 422.9, subsection 3. A person  
8 7 who is claimed as a dependent by another person as defined in  
8 8 section 422.12 shall not receive the benefit of this  
8 9 subsection if the person claiming the dependent has net income  
8 10 exceeding thirteen thousand five hundred dollars or nine  
8 11 thousand dollars as applicable or the person claiming the  
8 12 dependent and the person's spouse have combined net income  
8 13 exceeding thirteen thousand five hundred dollars or nine  
8 14 thousand dollars as applicable.  
8 15 In addition, if the married persons', filing jointly or  
8 16 filing separately on a combined return, ~~unmarried~~ head of  
8 17 household's, or surviving spouse's net income exceeds thirteen  
8 18 thousand five hundred dollars, the regular tax imposed under  
8 19 this division shall be the lesser of the maximum state  
8 20 individual income tax rate times the portion of the net income  
8 21 in excess of thirteen thousand five hundred dollars or the  
8 22 regular tax liability computed without regard to this  
8 23 sentence. Taxpayers electing to file separately shall compute  
8 24 the alternate tax described in this paragraph using the total  
8 25 net income of the husband and wife. The alternate tax  
8 26 described in this paragraph does not apply if one spouse  
8 27 elects to carry back or carry forward the loss as provided in  
8 28 section 422.9, subsection 3.  
8 29 Sec. 11. Section 422.6, unnumbered paragraph 1, Code 2005,  
8 30 is amended to read as follows:  
8 31 The tax imposed by section 422.5 less the amounts of  
8 32 ~~nonrefundable credits allowed under sections 15.333, 15.335,~~  
8 33 ~~422.10, 422.11, 422.11A, and 422.11B, and the personal~~  
8 34 ~~exemption credit allowed under section 422.12~~ this division  
8 35 apply to and are a charge against estates and trusts with  
9 1 respect to their taxable income, and the rates are the same as  
9 2 those applicable to individuals. The fiduciary shall make the  
9 3 return of income for the estate or trust for which the  
9 4 fiduciary acts, whether the income is taxable to the estate or  
9 5 trust or to the beneficiaries. However, for tax years ending  
9 6 after August 5, 1997, if the trust is a qualified preneed  
9 7 funeral trust as set forth in section 685 of the Internal  
9 8 Revenue Code and the trustee has elected the special tax  
9 9 treatment under section 685 of the Internal Revenue Code,  
9 10 neither the trust nor the beneficiary is subject to Iowa  
9 11 income tax on income accruing to the trust.  
9 12 Sec. 12. Section 422.7, subsection 21, paragraph a,  
9 13 subparagraph (1), unnumbered paragraph 1, Code Supplement  
9 14 2005, is amended to read as follows:  
9 15 Net capital gain from the sale of real property used in a  
9 16 business, in which the taxpayer materially participated for  
9 17 ten years, as defined in section 469(h) of the Internal  
9 18 Revenue Code, and which has been held for a minimum of ten  
9 19 years, or from the sale of a business, as defined in section  
9 20 423.1, ~~in which the taxpayer was employed or~~ in which the  
9 21 taxpayer materially participated for ten years, as defined in  
9 22 section 469(h) of the Internal Revenue Code, and which has  
9 23 been held for a minimum of ten years. The sale of a business  
9 24 means the sale of all or substantially all of the tangible  
9 25 personal property or service of the business.  
9 26 Sec. 13. Section 422.9, subsection 1, Code Supplement  
9 27 2005, is amended to read as follows:  
9 28 1. An optional standard deduction, after deduction of  
9 29 federal income tax, equal to one thousand two hundred thirty  
9 30 dollars for a married person who files separately or a single  
9 31 person or equal to three thousand thirty dollars for a husband  
9 32 and wife who file a joint return, a surviving spouse, or ~~an~~  
9 33 ~~unmarried~~ a head of household. The optional standard  
9 34 deduction shall not exceed the amount remaining after  
9 35 deduction of the federal income tax. The amount of federal  
10 1 income tax deducted shall be computed as provided in

10 2 subsection 2, paragraph "b".  
10 3 Sec. 14. Section 422.10, subsection 4, Code Supplement  
10 4 2005, is amended to read as follows:  
10 5 4. Any credit in excess of the tax liability imposed by  
10 6 section 422.5 less the amounts of nonrefundable credits  
10 7 allowed under sections 422.11A, 422.12, and 422.12B this  
10 8 division for the taxable year shall be refunded with interest  
10 9 computed under section 422.25. In lieu of claiming a refund,  
10 10 a taxpayer may elect to have the overpayment shown on the  
10 11 taxpayer's final, completed return credited to the tax  
10 12 liability for the following taxable year.  
10 13 Sec. 15. Section 422.10, Code Supplement 2005, is amended  
10 14 by adding the following new subsection:  
10 15 NEW SUBSECTION. 5. An individual may claim an additional  
10 16 research activities credit authorized pursuant to section  
10 17 15.335 if the eligible business is a partnership, S  
10 18 corporation, limited liability company, or estate or trust  
10 19 which elects to have the income taxed directly to the  
10 20 individual. The amount of the credit shall be as provided in  
10 21 section 15.335.  
10 22 Sec. 16. Section 422.11, Code 2005, is amended to read as  
10 23 follows:  
10 24 422.11 FRANCHISE TAX CREDIT.  
10 25 The taxes imposed under this division, less the credits  
10 26 allowed under section sections 422.12 and 422.12B, shall be  
10 27 reduced by a franchise tax credit. A taxpayer who is a  
10 28 shareholder in a financial institution, as defined in section  
10 29 581 of the Internal Revenue Code, which has in effect for the  
10 30 tax year an election under subchapter S of the Internal  
10 31 Revenue Code, or is a member of a financial institution  
10 32 organized as a limited liability company under chapter 524  
10 33 that is taxed as a partnership for federal income tax  
10 34 purposes, shall compute the amount of the tax credit by  
10 35 recomputing the amount of tax under this division by reducing  
11 1 the taxable income of the taxpayer by the taxpayer's pro rata  
11 2 share of the items of income and expense of the financial  
11 3 institution and subtracting the credits allowed under section  
11 4 sections 422.12 and 422.12B. This recomputed tax shall be  
11 5 subtracted from the amount of tax computed under this division  
11 6 after the deduction for credits allowed under section sections  
11 7 422.12 and 422.12B. The resulting amount, which shall not  
11 8 exceed the taxpayer's pro rata share of the franchise tax paid  
11 9 by the financial institution, is the amount of the franchise  
11 10 tax credit allowed.  
11 11 Sec. 17. Section 422.11B, subsection 1, unnumbered  
11 12 paragraph 2, Code 2005, is amended to read as follows:  
11 13 The minimum tax credit for a tax year is the excess, if  
11 14 any, of the adjusted net minimum tax imposed for all prior tax  
11 15 years beginning on or after January 1, 1987, over the amount  
11 16 allowable as a credit under this section for those prior tax  
11 17 years.  
11 18 Sec. 18. Section 422.11B, subsection 2, unnumbered  
11 19 paragraph 3, Code 2005, is amended to read as follows:  
11 20 ~~The adjusted net minimum tax for a tax year is the net~~  
11 21 ~~minimum tax for the tax year reduced by the amount which would~~  
11 22 ~~be the net minimum tax if the only item of tax preference~~  
11 23 ~~taken into account was that described in paragraph (6) of~~  
11 24 ~~section 57(a) of the Internal Revenue Code.~~  
11 25 Sec. 19. Section 422.11F, Code 2005, is amended to read as  
11 26 follows:  
11 27 422.11F INVESTMENT TAX CREDITS.  
11 28 1. The taxes imposed under this division, less the credits  
11 29 allowed under sections 422.12 and 422.12B, shall be reduced by  
11 30 an investment tax credit authorized pursuant to section 15E.43  
11 31 for an investment in a qualifying business or a community=  
11 32 based seed capital fund.  
11 33 2. The taxes imposed under this division, less the credits  
11 34 allowed under sections 422.12 and 422.12B, shall be reduced by  
11 35 investment tax credits authorized pursuant to sections 15.333  
12 1 and 15E.193B, subsection 6.  
12 2 Sec. 20. NEW SECTION. 422.11M IOWA FUND OF FUNDS TAX  
12 3 CREDIT.  
12 4 The taxes imposed under this division, less the credits  
12 5 allowed under sections 422.12 and 422.12B, shall be reduced by  
12 6 a tax credit authorized pursuant to section 15E.66, if  
12 7 redeemed, for investments in the Iowa fund of funds.  
12 8 Sec. 21. Section 422.12, subsection 3, Code 2005, is  
12 9 amended to read as follows:  
12 10 3. For the purpose of this section, the determination of  
12 11 whether an individual is married shall be made ~~as of the close~~  
12 12 ~~of the individual's tax year unless the individual's spouse~~

~~12 13 dies during the individual's tax year, in which case the~~  
~~12 14 determination shall be made as of the date of the spouse's~~  
~~12 15 death in accordance with section 7703 of the Internal Revenue~~  
~~12 16 Code. An individual legally separated from the individual's~~  
~~12 17 spouse under a decree of divorce or of separate maintenance~~  
~~12 18 shall not be considered married.~~

12 19 Sec. 22. Section 422.12A, subsection 2, Code 2005, is  
12 20 amended to read as follows:

12 21 2. The director of revenue shall draft the income tax form  
12 22 to allow the designation of contributions to the keep Iowa  
12 23 beautiful fund on the tax return. The department of revenue,  
12 24 on or before January 31, shall transfer the total amount  
12 25 designated on the tax return forms due in the preceding  
12 26 calendar year to the keep Iowa beautiful fund. However,  
12 27 before a checkoff pursuant to this section shall be permitted,  
12 28 all liabilities on the books of the department of ~~revenue~~  
12 29 administrative services and accounts identified as owing under  
12 30 section ~~421.17~~ 8A.504 and the political contribution allowed  
12 31 under section 68A.601 shall be satisfied.

12 32 Sec. 23. Section 422.12C, subsection 1, unnumbered  
12 33 paragraph 1, Code Supplement 2005, is amended to read as  
12 34 follows:

12 35 The taxes imposed under this division, less the amounts of  
13 1 nonrefundable credits allowed under ~~sections 422.11A, 422.11B,~~  
13 2 ~~422.12, and 422.12B~~ this division, shall be reduced by a child  
13 3 and dependent care credit equal to the following percentages  
13 4 of the federal child and dependent care credit provided in  
13 5 section 21 of the Internal Revenue Code:

13 6 Sec. 24. Section 422.12C, subsection 2, paragraph a,  
13 7 unnumbered paragraph 1, Code Supplement 2005, is amended to  
13 8 read as follows:

13 9 ~~In lieu of the child and dependent care credit authorized~~  
13 10 ~~in subsection 1, a taxpayer may claim The taxes imposed under~~  
13 11 ~~this division, less the amounts of nonrefundable credits~~  
13 12 ~~allowed under this division, may be reduced by an early~~

13 13 childhood development tax credit equal to twenty-five percent  
13 14 of the first one thousand dollars which the taxpayer has paid  
13 15 to others for each dependent, as defined in the Internal  
13 16 Revenue Code, ages three through five for early childhood  
13 17 development expenses. In determining the amount of early  
13 18 childhood development expenses for the tax year beginning in  
13 19 the 2006 calendar year only, such expenses paid during  
13 20 November and December of the previous tax year shall be  
13 21 considered paid in the tax year for which the tax credit is  
13 22 claimed. This credit is available to a taxpayer whose net  
13 23 income is less than forty-five thousand dollars. If the early  
13 24 childhood development tax credit is claimed for a tax year,  
13 25 the taxpayer and the taxpayer's spouse shall not claim the  
13 26 child and dependent care credit under subsection 1. As used  
13 27 in this subsection, "early childhood development expenses"  
13 28 means services provided to the dependent by a preschool, as  
13 29 defined in section 237A.1, materials, and other activities as  
13 30 follows:

13 31 Sec. 25. Section 422.12C, subsection 2, paragraph b, Code  
13 32 Supplement 2005, is amended by striking the paragraph.

13 33 Sec. 26. Section 422.12F, subsection 2, Code 2005, is  
13 34 amended to read as follows:

13 35 2. The director of revenue shall draft the income tax form  
14 1 to allow the designation of contributions to the volunteer  
14 2 fire fighter preparedness fund on the tax return. The  
14 3 department of revenue, on or before January 31, shall certify  
14 4 the total amount designated on the tax return forms due in the  
14 5 preceding calendar year and shall report the amount to the  
14 6 treasurer of state. The treasurer of state shall credit the  
14 7 amount to the volunteer fire fighter preparedness fund.  
14 8 However, before a checkoff pursuant to this section shall be  
14 9 permitted, all liabilities on the books of the department of  
14 10 ~~revenue~~ administrative services and accounts identified as  
14 11 owing under section ~~421.17~~ 8A.504 and the political  
14 12 contribution allowed under section 68A.601 shall be satisfied.

14 13 Sec. 27. NEW SECTION. 422.12G INCOME TAX CHECKOFF FOR  
14 14 IOWA ELECTION CAMPAIGN FUND.

14 15 A person who files an individual or a joint income tax  
14 16 return with the department of revenue under section 422.13 may  
14 17 designate a contribution to the Iowa election campaign fund  
14 18 authorized pursuant to section 68A.601.

14 19 Sec. 28. NEW SECTION. 422.12H INCOME TAX CHECKOFF FOR  
14 20 FISH AND GAME PROTECTION FUND.

14 21 A person who files an individual or a joint income tax  
14 22 return with the department of revenue under section 422.13 may  
14 23 designate a contribution to the state fish and game protection

14 24 fund authorized pursuant to section 456A.16.  
14 25 Sec. 29. Section 422.33, subsection 5, Code Supplement  
14 26 2005, is amended by adding the following new paragraphs:  
14 27 NEW PARAGRAPH. f. A corporation which is a primary  
14 28 business or a supporting business in a quality jobs enterprise  
14 29 zone may claim the research activities credit authorized  
14 30 pursuant to section 15A.9, subsection 8, in lieu of the credit  
14 31 computed in paragraph "a" or "b".  
14 32 NEW PARAGRAPH. g. A corporation which is an eligible  
14 33 business may claim an additional research activities credit  
14 34 authorized pursuant to section 15.335.  
14 35 Sec. 30. Section 422.33, subsection 7, paragraph a,  
15 1 unnumbered paragraph 2, Code Supplement 2005, is amended to  
15 2 read as follows:  
15 3 The minimum tax credit for a tax year is the excess, if  
15 4 any, of the ~~adjusted~~ net minimum tax imposed for all prior tax  
15 5 years beginning on or after January 1, 1987, over the amount  
15 6 allowable as a credit under this subsection for those prior  
15 7 tax years.  
15 8 Sec. 31. Section 422.33, subsection 7, paragraph b,  
15 9 unnumbered paragraph 3, Code Supplement 2005, is amended to  
15 10 read as follows:  
15 11 ~~The adjusted net minimum tax for a tax year is the net~~  
15 12 ~~minimum tax for the tax year reduced by the amount which would~~  
15 13 ~~be the net minimum tax if the only item of tax preference~~  
15 14 ~~taken into account was that described in paragraph (6) of~~  
15 15 ~~section 57(a) of the Internal Revenue Code.~~  
15 16 Sec. 32. Section 422.33, subsection 12, Code Supplement  
15 17 2005, is amended to read as follows:  
15 18 12. a. The taxes imposed under this division shall be  
15 19 reduced by an investment tax credit authorized pursuant to  
15 20 section 15E.43 for an investment in a qualifying business or a  
15 21 community-based seed capital fund.  
15 22 b. ~~The taxes imposed under this division shall be reduced~~  
15 23 ~~by investment tax credits authorized pursuant to sections~~  
15 24 ~~15.333, 15A.9, subsection 4, and 15E.193B, subsection 6.~~  
15 25 Sec. 33. Section 422.33, Code Supplement 2005, is amended  
15 26 by adding the following new subsections:  
15 27 NEW SUBSECTION. 20. The taxes imposed under this division  
15 28 shall be reduced by a corporate tax credit authorized pursuant  
15 29 to section 15.331C for certain sales taxes paid by a  
15 30 third-party developer.  
15 31 NEW SUBSECTION. 21. The taxes imposed under this division  
15 32 shall be reduced by a tax credit authorized pursuant to  
15 33 section 15E.66, if redeemed, for investments in the Iowa fund  
15 34 of funds.  
15 35 Sec. 34. Section 422.60, subsection 2, paragraphs a and b,  
16 1 Code Supplement 2005, are amended to read as follows:  
16 2 a. Add items of tax preference included in federal  
16 3 alternative minimum taxable income under section 57, except  
16 4 subsections (a)(1) and (a)(5), of the Internal Revenue Code,  
16 5 make the adjustments included in federal alternative minimum  
16 6 taxable income under section 56, except subsections (a)(4),  
16 7 (c)(1), (d), ~~(f)~~, and (g), of the Internal Revenue Code, and  
16 8 add losses as required by section 58 of the Internal Revenue  
16 9 Code.  
16 10 b. Make the adjustments provided in section 56(c)(1) of  
16 11 the Internal Revenue Code, except that in making the  
16 12 calculation under ~~sections 56(f)(1) and section 56(g)(1) of~~  
16 13 ~~the Internal Revenue Code~~ the state alternative minimum  
16 14 taxable income, computed without regard to the adjustments  
16 15 made by this paragraph, the exemption provided for in  
16 16 paragraph "d", and the state alternative tax net operating  
16 17 loss described in paragraph "e", shall be substituted for the  
16 18 items described in ~~sections 56(f)(1)(B) and section~~  
16 19 ~~56(g)(1)(B) of the Internal Revenue Code.~~  
16 20 Sec. 35. Section 422.60, subsection 3, paragraph a,  
16 21 unnumbered paragraph 2, Code Supplement 2005, is amended to  
16 22 read as follows:  
16 23 The minimum tax credit for a tax year is the excess, if  
16 24 any, of the ~~adjusted~~ net minimum tax imposed for all prior tax  
16 25 years beginning on or after January 1, 1987, over the amount  
16 26 allowable as a credit under this subsection for those prior  
16 27 tax years.  
16 28 Sec. 36. Section 422.60, subsection 3, paragraph b,  
16 29 unnumbered paragraph 3, Code Supplement 2005, is amended to  
16 30 read as follows:  
16 31 ~~The adjusted net minimum tax for a tax year is the net~~  
16 32 ~~minimum tax for the tax year reduced by the amount which would~~  
16 33 ~~be the net minimum tax if the only item of tax preference~~  
16 34 ~~taken into account was that described in paragraph (6) of~~

~~16 35 section 57(a) of the Internal Revenue Code.~~

17 1 Sec. 37. Section 422.60, subsection 5, Code Supplement  
17 2 2005, is amended to read as follows:

17 3 5. a. The taxes imposed under this division shall be  
17 4 reduced by an investment tax credit authorized pursuant to  
17 5 section 15E.43 for an investment in a qualifying business or a  
17 6 community-based seed capital fund.

17 7 b. The taxes imposed under this division shall be reduced  
17 8 by investment tax credits authorized pursuant to sections  
17 9 15.333 and 15E.193B, subsection 6.

17 10 Sec. 38. Section 422.60, Code Supplement 2005, is amended  
17 11 by adding the following new subsections:

17 12 NEW SUBSECTION. 11. The taxes imposed under this division  
17 13 shall be reduced by a corporate tax credit authorized pursuant  
17 14 to section 15.331C for certain sales taxes paid by a  
17 15 third-party developer.

17 16 NEW SUBSECTION. 12. The taxes imposed under this division  
17 17 shall be reduced by a tax credit authorized pursuant to  
17 18 section 15E.66, if redeemed, for investments in the Iowa fund  
17 19 of funds.

17 20 Sec. 39. Section 422D.2, Code 2005, is amended to read as  
17 21 follows:

17 22 422D.2 LOCAL INCOME SURTAX.

17 23 A county may impose by ordinance a local income surtax as  
17 24 provided in section 422D.1 at the rate set by the board of  
17 25 supervisors, of up to one percent, on the state individual  
17 26 income tax of each individual residing in the county at the  
17 27 end of the individual's applicable tax year. However, the  
17 28 cumulative total of the percents of income surtax imposed on  
17 29 any taxpayer in the county shall not exceed twenty percent.  
17 30 The reason for imposing the surtax and the amount needed shall  
17 31 be set out in the ordinance. The surtax rate shall be set to  
17 32 raise only the amount needed. For purposes of this section,  
17 33 "state individual income tax" means the tax computed under  
17 34 section 422.5, less the amounts of nonrefundable credits  
17 35 allowed in sections 422.11A, 422.11B, 422.12, and 422.12B  
18 1 under chapter 422, division II.

18 2 Sec. 40. Section 423.3, subsection 18, Code Supplement  
18 3 2005, is amended by adding the following new paragraph:

18 4 NEW PARAGRAPH. f. Home and community-based services  
18 5 providers certified to offer Medicaid waiver services by the  
18 6 department of human services that are any of the following:

18 7 (1) Ill and handicapped waiver service providers,  
18 8 described in 441 IAC 77.30.  
18 9 (2) Hospice providers, described in 441 IAC 77.32.  
18 10 (3) Elderly waiver service providers, described in 441 IAC  
18 11 77.33.

18 12 (4) AIDS/HIV waiver service providers, described in 441  
18 13 IAC 77.34.

18 14 (5) Federally qualified health centers, described in 441  
18 15 IAC 77.35.

18 16 (6) MR waiver service providers, described in 441 IAC  
18 17 77.37.

18 18 (7) Brain injury waiver service providers, described in  
18 19 441 IAC 77.39.

18 20 Sec. 41. Section 423.3, subsection 39, Code Supplement  
18 21 2005, is amended by adding the following new paragraph:

18 22 NEW PARAGRAPH. c. Notwithstanding paragraph "a", the  
18 23 sale, furnishing, or performance of a service that is of a  
18 24 recurring nature by the owner if, at the time of the sale, all  
18 25 of the following apply:

18 26 (1) The seller is not engaged for profit in the business  
18 27 of the selling, furnishing, or performance of services taxed  
18 28 under section 423.2. For purposes of this subparagraph, the  
18 29 fact of the recurring nature of selling, furnishing, or  
18 30 performance of services does not constitute by itself engaging  
18 31 for profit in the business of selling, furnishing, or  
18 32 performance of services.

18 33 (2) The owner of the business is the only person  
18 34 performing the service.

18 35 (3) The owner of the business is a full-time student.

19 1 (4) The total gross receipts from the sales, furnishing,  
19 2 or performance of services during the calendar year does not  
19 3 exceed five thousand dollars.

19 4 Sec. 42. Section 423.3, subsection 50, Code Supplement  
19 5 2005, is amended to read as follows:

19 6 50. The sales price of sales of electricity, steam, or any  
19 7 taxable service when purchased and used in the processing of  
19 8 tangible personal property intended to be sold ultimately at  
19 9 retail or of any fuel which is consumed in creating power,  
19 10 heat, or steam for processing or for generating electric

19 11 current.

19 12 Sec. 43. Section 423.3, subsection 86, Code Supplement  
19 13 2005, is amended to read as follows:

19 14 86. The sales price from services performed on a vessel if  
19 15 all of the following apply:

19 16 a. The vessel is a licensed vessel under the laws of the  
19 17 United States coast guard.

19 18 ~~b. The vessel is not moored or tied to a physical location~~  
19 19 ~~in this state.~~

19 20 ~~c. b.~~ The service is used to repair or restore a defect  
19 21 in the vessel.

19 22 ~~d. c.~~ The vessel is engaged in interstate commerce and  
19 23 will continue in interstate commerce once the repairs or  
19 24 restoration is completed.

19 25 ~~e. d.~~ The vessel is in navigable water that borders the  
19 26 ~~eastern~~ a boundary of this state.

19 27 For purposes of this exemption, "vessel" includes a ship,  
19 28 barge, or other waterborne vessel.

19 29 Sec. 44. Section 423.3, Code Supplement 2005, is amended  
19 30 by adding the following new subsection:

19 31 NEW SUBSECTION. 89. a. The sales price from the sale of  
19 32 coins, currency, or bullion.

19 33 b. For purposes of this subsection:

19 34 (1) "Bullion" means bars, ingots, or commemorative  
19 35 medallions of gold, silver, platinum, palladium, or a  
20 1 combination of these where the value of the metal depends on  
20 2 its content and not the form.

20 3 (2) "Coins" or "currency" means a coin or currency made of  
20 4 gold, silver, or other metal or paper which is or has been  
20 5 used as legal tender.

20 6 Sec. 45. Section 423.6, subsection 10, Code 2005, is  
20 7 amended by adding the following new unnumbered paragraph:

20 8 NEW UNNUMBERED PARAGRAPH. This exemption applies to  
20 9 corporations that have been in existence for not longer than  
20 10 twenty-four months.

20 11 Sec. 46. Section 423.6, Code 2005, is amended by adding  
20 12 the following new subsection:

20 13 NEW SUBSECTION. 25. Exempted from the purchase price of a  
20 14 replacement motor vehicle owned by a motor vehicle dealer  
20 15 licensed under chapter 322 which is being registered by that  
20 16 dealer and is not otherwise exempt from tax is the fair market  
20 17 value of a replaced motor vehicle if all of the following  
20 18 conditions are met:

20 19 a. The motor vehicle being registered is being placed in  
20 20 service as a replacement motor vehicle for a motor vehicle  
20 21 registered by the motor vehicle dealer.

20 22 b. The motor vehicle being registered is taken from the  
20 23 motor vehicle dealer's inventory.

20 24 c. Use tax on the motor vehicle being replaced was paid by  
20 25 the motor vehicle dealer when that motor vehicle was  
20 26 registered.

20 27 d. The replaced motor vehicle is returned to the motor  
20 28 vehicle dealer's inventory for sale.

20 29 e. The application for registration and title of the motor  
20 30 vehicle being registered is filed with the county treasurer  
20 31 within two weeks of the date the replaced motor vehicle is  
20 32 returned to the motor vehicle dealer's inventory.

20 33 f. The motor vehicle being registered is placed in the  
20 34 same or substantially similar service as the replaced motor  
20 35 vehicle.

21 1 Sec. 47. Section 423.8, Code 2005, is amended to read as  
21 2 follows:

21 3 423.8 LEGISLATIVE FINDING AND INTENT.

21 4 The general assembly finds that Iowa should enter into an  
21 5 agreement with one or more states to simplify and modernize  
21 6 sales and use tax administration in order to substantially  
21 7 reduce the burden of tax compliance for all sellers and for  
21 8 all types of commerce. It is the intent of the general  
21 9 assembly that entering into this agreement will lead to  
21 10 simplification and modernization of the sales and use tax law  
21 11 and not to the imposition of new taxes or an increase or  
21 12 decrease in the existing number of exemptions, unless such a  
21 13 result is unavoidable under the terms of the agreement.

21 14 Entering into this agreement should not cause businesses to  
21 15 sustain additional administrative burden.

21 16 It is the intent of the general assembly to provide Iowa  
21 17 sellers, impacted by the agreement, with the assistance  
21 18 necessary to alleviate administrative burdens that result in  
21 19 participation in the agreement. The director and the Iowa  
21 20 streamlined sales tax advisory council shall provide  
21 21 recommendations to address the new administrative burden

~~21 22 identified in the Iowa streamlined sales tax advisory council~~  
~~21 23 2005 report submitted to the Iowa general assembly. The~~  
~~21 24 recommendations must be submitted to the general assembly by~~  
~~21 25 January 1, 2007, and shall include the expenses associated and~~  
~~21 26 all relevant data including but not limited to the number of~~  
~~21 27 intrastate sellers impacted by the agreement.~~

21 28 Sec. 48. Section 423.9, Code 2005, is amended to read as  
21 29 follows:

21 30 423.9 AUTHORITY TO ENTER AGREEMENT AND TO REPRESENT THE  
21 31 STATE.

21 32 1. The director is authorized and directed to enter into  
21 33 the streamlined sales and use tax agreement with one or more  
21 34 states to simplify and modernize sales and use tax  
21 35 administration in order to substantially reduce the burden of  
22 1 tax compliance for all sellers and for all types of commerce.

22 2 2. The director is further authorized to take other  
22 3 actions reasonably required to implement the provisions set  
22 4 forth in this chapter. Other actions authorized by this  
22 5 section include, but are not limited to, the adoption of rules  
22 6 and the joint procurement, with other member states, of goods  
22 7 and services in furtherance of the cooperative agreement.

~~22 8 The director or the director's designee is authorized to be~~  
~~22 9 a member of the governing board established pursuant to the~~  
~~22 10 agreement and to represent Iowa before that body.~~

22 11 3. Four representatives are authorized to be members of  
22 12 the governing board established pursuant to the agreement and  
22 13 to represent Iowa before that body as one vote. The  
22 14 representatives shall be appointed as follows:

22 15 a. One representative shall be a member of the house of  
22 16 representatives who is appointed by the speaker of the house  
22 17 of representatives or the delegate's designee who shall also  
22 18 be a member of the house of representatives.

22 19 b. One representative shall be a member of the senate who  
22 20 is appointed by the majority leader of the senate or the  
22 21 delegate's designee who shall also be a member of the senate.

22 22 c. Two representatives from the executive branch shall be  
22 23 appointed by the governor, one of whom shall be the director,  
22 24 or each delegate's designee who shall also be employed by the  
22 25 executive branch.

22 26 Sec. 49. NEW SECTION. 423.9A IOWA STREAMLINED SALES TAX  
22 27 ADVISORY COUNCIL.

22 28 1. An Iowa streamlined sales tax advisory council is  
22 29 created. The advisory council shall review, study, and submit  
22 30 recommendations to the Iowa streamlined sales and use tax  
22 31 representatives appointed pursuant to section 423.9,  
22 32 subsection 3, regarding the streamlined sales and use tax  
22 33 agreement formalized by the project's member states on  
22 34 November 12, 2002, agreement amendments, proposed language  
22 35 conforming Iowa's sales and use tax to the national agreement,  
23 1 and the following issues:

23 2 a. Uniform definitions proposed in the current agreement  
23 3 and future proposals.

23 4 b. Effects upon taxability of items newly defined in Iowa.

23 5 c. Impacts upon business as a result of the agreement.

23 6 d. Technology implementation issues.

23 7 e. Any other issues that are brought before the  
23 8 streamlined sales and use tax member state or the streamlined  
23 9 sales and use tax governing board.

23 10 2. The department shall provide administrative support to  
23 11 the Iowa streamlined sales tax advisory council. The advisory  
23 12 council shall be representative of Iowa's business community  
23 13 and economy when reviewing and recommending solutions to  
23 14 streamlined sales and use tax issues. The advisory council  
23 15 shall provide the general assembly and the governor with final  
23 16 recommendations made to the Iowa streamlined sales and use tax  
23 17 representatives upon the conclusion of each calendar year.

23 18 3. The director, in consultation with the Iowa taxpayers  
23 19 association, Iowa retail federation, and the Iowa association  
23 20 of business and industry, shall appoint members to the Iowa  
23 21 streamlined sales tax advisory council, which shall consist of  
23 22 the following members:

23 23 a. One member from the department.

23 24 b. Three members representing small Iowa businesses, at  
23 25 least one of whom must be a retailer, and at least one of whom  
23 26 shall be a supplier.

23 27 c. Three members representing medium Iowa businesses, at  
23 28 least one of whom shall be a retailer, and at least one of  
23 29 whom shall be a supplier.

23 30 d. Three members representing large Iowa businesses, at  
23 31 least one of whom shall be a retailer, and at least one of  
23 32 whom shall be a supplier.

23 33 e. One member representing taxpayers as a whole.  
23 34 f. One member representing the retail community as a  
23 35 whole.  
24 1 g. Any other member representative of business the  
24 2 director deems appropriate.  
24 3 Sec. 50. Section 423.33, subsection 3, Code Supplement  
24 4 2005, is amended to read as follows:  
24 5 3. EVENT SPONSOR'S LIABILITY FOR SALES TAX. A person  
24 6 sponsoring a flea market or a craft, antique, coin, or stamp  
24 7 show or similar event shall obtain from every retailer selling  
24 8 tangible personal property or taxable services at the event  
24 9 proof that the retailer possesses a valid sales tax permit or  
24 10 secure from the retailer a statement, taken in good faith,  
24 11 that property or services offered for sale are not subject to  
24 12 sales tax. Failure to do so renders a sponsor of the event  
24 13 liable for payment of any sales tax, interest, and penalty due  
24 14 and owing from any retailer selling property or services at  
24 15 the event. Sections 423.31, 423.32, 423.37, 423.38, 423.39,  
24 16 423.40, 423.41, and 423.42 apply to the sponsors. For  
24 17 purposes of this subsection, a person sponsoring a flea market  
24 18 or a craft, antique, coin, or stamp show or similar event does  
24 19 not include an organization which sponsors an event ~~less than~~  
~~24 20 three times a year determined to qualify as an event involving~~  
~~24 21 casual sales pursuant to section 423.3, subsection 39, or the~~  
24 22 state fair or a fair as defined in section 174.1.  
24 23 Sec. 51. Section 423.37, subsection 2, Code 2005, is  
24 24 amended to read as follows:  
24 25 2. If a return required by this subchapter is not filed,  
24 26 or if a return when filed is incorrect or insufficient and the  
24 27 maker fails to file a corrected or sufficient return within  
24 28 twenty days after the same is required by notice from the  
24 29 department, the department shall determine the amount of tax  
24 30 due from information as the department may be able to obtain  
24 31 and, if necessary, may estimate the tax on the basis of  
24 32 external indices, such as number of employees of the person  
24 33 concerned, rentals paid by the person, stock on hand, or other  
24 34 factors. The determination may be made using any generally  
24 35 recognized valid and reliable sampling technique, whether or  
25 1 not the person being audited has complete records, as mutually  
25 2 agreed upon by the department and the taxpayer. The  
25 3 department shall give notice of the determination to the  
25 4 person liable for the tax. The determination shall fix the  
25 5 tax unless the person against whom it is assessed shall,  
25 6 within sixty days after the giving of notice of the  
25 7 determination, apply to the director for a hearing or unless  
25 8 the taxpayer contests the determination by paying the tax,  
25 9 interest, and penalty and timely filing a claim for refund.  
25 10 At the hearing, evidence may be offered to support the  
25 11 determination or to prove that it is incorrect. After the  
25 12 hearing the director shall give notice of the decision to the  
25 13 person liable for the tax.  
25 14 Sec. 52. Section 423B.1, subsection 3, Code 2005, is  
25 15 amended to read as follows:  
25 16 3. A local option tax shall be imposed only after an  
25 17 election at which a majority of those voting on the question  
25 18 favors imposition and shall then be imposed until repealed as  
25 19 provided in subsection 6, paragraph "a". If the tax is a  
25 20 local vehicle tax imposed by a county, it shall apply to all  
25 21 incorporated and unincorporated areas of the county. If the  
25 22 tax is a local sales and services tax imposed by a county, it  
25 23 shall only apply to those incorporated areas and the  
25 24 unincorporated area of that county in which a majority of  
25 25 those voting in the area on the tax favors its imposition.  
25 26 For purposes of the local sales and services tax, all cities  
25 27 contiguous to each other shall be treated as part of one  
25 28 incorporated area and the tax would be imposed in each of  
25 29 those contiguous cities only if the majority of those voting  
25 30 in the total area covered by the contiguous cities favors its  
25 31 imposition. In the case of a local sales and services tax  
25 32 submitted to the registered voters of two or more contiguous  
25 33 counties as provided in subsection 4, paragraph "c", all  
25 34 cities contiguous to each other shall be treated as part of  
25 35 one incorporated area, even if the corporate boundaries of one  
26 1 or more of the cities include areas of more than one county,  
26 2 and the tax shall be imposed in each of those contiguous  
26 3 cities only if a majority of those voting on the tax in the  
26 4 total area covered by the contiguous cities favored its  
26 5 imposition. For purposes of the local sales and services tax,  
26 6 a city is not contiguous to another city if the only road  
26 7 access between the two cities is through another state.  
26 8 Sec. 53. Section 423B.1, subsection 4, Code 2005, is

26 9 amended by adding the following new paragraph:

26 10 NEW PARAGRAPH. c. Upon receipt of petitions or motions  
26 11 calling for the submission of the question of the imposition  
26 12 of a local sales and services tax as described in paragraph  
26 13 "a" or "b", the boards of supervisors of two or more  
26 14 contiguous counties in which the question is to be submitted  
26 15 may enter into a joint agreement providing that for purposes  
26 16 of this chapter, a city whose corporate boundaries include  
26 17 areas of more than one county shall be treated as part of the  
26 18 county in which a majority of the residents of the city  
26 19 reside. In such event, the county commissioners of elections  
26 20 from each such county shall cooperate in the selection of a  
26 21 single date upon which the election shall be held, and for all  
26 22 purposes of this chapter relating to the imposition, repeal,  
26 23 change of use, or collection of the tax, such a city shall be  
26 24 deemed to be part of the county in which a majority of the  
26 25 residents of the city reside. A copy of the joint agreement  
26 26 shall be provided promptly to the director of revenue.

26 27 Sec. 54. Section 423B.1, subsection 6, paragraph a, Code  
26 28 2005, is amended to read as follows:

26 29 a. If a majority of those voting on the question of  
26 30 imposition of a local option tax favors imposition of a local  
26 31 option tax, the governing body of that county shall impose the  
26 32 tax at the rate specified for an unlimited period. However,  
26 33 in the case of a local sales and services tax, the county  
26 34 shall not impose the tax in any incorporated area or the  
26 35 unincorporated area if the majority of those voting on the tax  
27 1 in that area did not favor its imposition. For purposes of  
27 2 the local sales and services tax, all cities contiguous to  
27 3 each other shall be treated as part of one incorporated area  
27 4 and the tax shall be imposed in each of those contiguous  
27 5 cities only if the majority of those voting on the tax in the  
27 6 total area covered by the contiguous cities favored its  
27 7 imposition. In the case of a local sales and services tax  
27 8 submitted to the registered voters of two or more contiguous  
27 9 counties as provided in subsection 4, paragraph "c", all  
27 10 cities contiguous to each other shall be treated as part of  
27 11 one incorporated area, even if the corporate boundaries of one  
27 12 or more of the cities include areas of more than one county,  
27 13 and the tax shall be imposed in each of those contiguous  
27 14 cities only if a majority of those voting on the tax in the  
27 15 total area covered by the contiguous cities favored its  
27 16 imposition.

27 17 PARAGRAPH DIVIDED. The local option tax may be repealed or  
27 18 the rate increased or decreased or the use thereof changed  
27 19 after an election at which a majority of those voting on the  
27 20 question of repeal or rate or use change favored the repeal or  
27 21 rate or use change. The date on which the repeal, rate, or  
27 22 use change is to take effect shall not be earlier than ninety  
27 23 days following the election. The election at which the  
27 24 question of repeal or rate or use change is offered shall be  
27 25 called and held in the same manner and under the same  
27 26 conditions as provided in subsections 4 and 5 for the election  
27 27 on the imposition of the local option tax. However, in the  
27 28 case of a local sales and services tax where the tax has not  
27 29 been imposed countywide, the question of repeal or imposition  
27 30 or rate or use change shall be voted on only by the registered  
27 31 voters of the areas of the county where the tax has been  
27 32 imposed or has not been imposed, as appropriate. However, the  
27 33 governing body of the incorporated area or unincorporated area  
27 34 where the local sales and services tax is imposed may, upon  
27 35 its own motion, request the county commissioner of elections  
28 1 to hold an election in the incorporated or unincorporated  
28 2 area, as appropriate, on the question of the change in use of  
28 3 local sales and services tax revenues. The election may be  
28 4 held at any time but not sooner than sixty days following  
28 5 publication of the ballot proposition. If a majority of those  
28 6 voting in the incorporated or unincorporated area on the  
28 7 change in use favors the change, the governing body of that  
28 8 area shall change the use to which the revenues shall be used.  
28 9 The ballot proposition shall list the present use of the  
28 10 revenues, the proposed use, and the date after which revenues  
28 11 received will be used for the new use.

28 12 When submitting the question of the imposition of a local  
28 13 sales and services tax, the county board of supervisors may  
28 14 direct that the question contain a provision for the repeal,  
28 15 without election, of the local sales and services tax on a  
28 16 specific date, which date shall be as provided in section  
28 17 423B.6, subsection 1.

28 18 Sec. 55. Section 423B.5, unnumbered paragraph 1, Code  
28 19 Supplement 2005, is amended to read as follows:

28 20 A local sales and services tax at the rate of not more than  
28 21 one percent may be imposed by a county on the sales price  
28 22 taxed by the state under chapter 423, subchapter II. A local  
28 23 sales and services tax shall be imposed on the same basis as  
28 24 the state sales and services tax or in the case of the use of  
28 25 natural gas, natural gas service, electricity, or electric  
28 26 service on the same basis as the state use tax and shall not  
28 27 be imposed on the sale of any property or on any service not  
28 28 taxed by the state, except the tax shall not be imposed on the  
28 29 sales price from the sale of motor fuel or special fuel as  
28 30 defined in chapter 452A which is consumed for highway use or  
28 31 in watercraft or aircraft if the fuel tax is paid on the  
28 32 transaction and a refund has not or will not be allowed, on  
28 33 the sales price from the sale of equipment by the state  
28 34 department of transportation, and except the tax shall not be  
28 35 imposed on the sales price from the sale or use of natural  
29 1 gas, natural gas service, electricity, or electric service in  
29 2 a city or county where the sales price from the sale of  
29 3 natural gas or electric energy is subject to a franchise fee  
29 4 or user fee during the period the franchise or user fee is  
29 5 imposed. A local sales and services tax is applicable to  
29 6 transactions within those incorporated and unincorporated  
29 7 areas of the county where it is imposed and shall be collected  
29 8 by all persons required to collect state sales taxes. All  
29 9 cities contiguous to each other shall be treated as part of  
29 10 one incorporated area and the tax would be imposed in each of  
29 11 those contiguous cities only if the majority of those voting  
29 12 in the total area covered by the contiguous cities favors its  
29 13 imposition. In the case of a local sales and services tax  
29 14 submitted to the registered voters of two or more contiguous  
29 15 counties as provided in section 423B.1, subsection 4,  
29 16 paragraph "c", all cities contiguous to each other shall be  
29 17 treated as part of one incorporated area, even if the  
29 18 corporate boundaries of one or more of the cities include  
29 19 areas of more than one county, and the tax shall be imposed in  
29 20 each of those contiguous cities only if a majority of those  
29 21 voting on the tax in the total area covered by the contiguous  
29 22 cities favored its imposition.

29 23 Sec. 56. Section 425.11, subsection 4, Code Supplement  
29 24 2005, is amended to read as follows:

29 25 4. The word "owner" shall mean the person who holds the  
29 26 fee simple title to the homestead, and in addition shall mean  
29 27 the person occupying as a surviving spouse or the person  
29 28 occupying under a contract of purchase which contract has been  
29 29 recorded in the office of the county recorder of the county in  
29 30 which the property is located; or the person occupying the  
29 31 homestead under devise or by operation of the inheritance laws  
29 32 where the whole interest passes or where the divided interest  
29 33 is shared only by persons related or formerly related to each  
29 34 other by blood, marriage or adoption; or the person occupying  
29 35 the homestead is a shareholder of a family farm corporation  
30 1 that owns the property; or the person occupying the homestead  
30 2 under a deed which conveys a divided interest where the  
30 3 divided interest is shared only by persons related or formerly  
30 4 related to each other by blood, marriage or adoption; or where  
30 5 the person occupying the homestead holds a life estate with  
30 6 the reversion interest held by a nonprofit corporation  
30 7 organized under chapter 504, provided that the holder of the  
30 8 life estate is liable for and pays property tax on the  
30 9 homestead; or where the person occupying the homestead holds  
30 10 an interest in a horizontal property regime under chapter  
30 11 499B, regardless of whether the underlying land committed to  
30 12 the horizontal property regime is in fee or as a leasehold  
30 13 interest, provided that the holder of the interest in the  
30 14 horizontal property regime is liable for and pays property tax  
30 15 on the homestead; or where the person occupying the homestead  
30 16 is a member of a community land trust as defined in 42 U.S.C.  
30 17 } 12773, regardless of whether the underlying land is in fee  
30 18 or as a leasehold interest, provided that the member of the  
30 19 community land trust is occupying the homestead and is liable  
30 20 for and pays property tax on the homestead. For the purpose  
30 21 of this chapter the word "owner" shall be construed to mean a  
30 22 bona fide owner and not one for the purpose only of availing  
30 23 the person of the benefits of this chapter. In order to  
30 24 qualify for the homestead tax credit, evidence of ownership  
30 25 shall be on file in the office of the clerk of the district  
30 26 court or recorded in the office of the county recorder at the  
30 27 time the owner files with the assessor a verified statement of  
30 28 the homestead claimed by the owner as provided in section  
30 29 425.2.

30 30 Sec. 57. Section 427.1, subsection 2, Code Supplement

30 31 2005, is amended to read as follows:

30 32 2. MUNICIPAL AND MILITARY PROPERTY. The property of a  
30 33 county, township, city, school corporation, levee district,  
30 34 drainage district, or the Iowa national guard, when devoted to  
30 35 public use and not held for pecuniary profit, except property  
31 1 of a municipally owned electric utility held under joint  
31 2 ownership and property of an electric power facility financed  
31 3 under chapter 28F or 476A that shall be subject to taxation  
31 4 under chapter 437A and facilities of a municipal utility that  
31 5 are used for the provision of local exchange services pursuant  
31 6 to chapter 476, but only to the extent such facilities are  
31 7 used to provide such services, which shall be subject to  
31 8 taxation under chapter 433, except that section 433.11 shall  
31 9 not apply. The exemption for property owned by a city or  
31 10 county also applies to property which is operated by a city or  
31 11 county as a library, art gallery or museum, conservatory,  
31 12 botanical garden or display, observatory or science museum, or  
31 13 as a location for holding athletic contests, sports or  
31 14 entertainment events, expositions, meetings or conventions, or  
31 15 leased from the city or county for any such purposes, or  
31 16 leased from the city or county by the Iowa national guard or  
31 17 by a federal agency for the benefit of the Iowa national guard  
31 18 when devoted for public use and not for pecuniary profit.  
31 19 Food and beverages may be served at the events or locations  
31 20 without affecting the exemptions, provided the city has  
31 21 approved the serving of food and beverages on the property if  
31 22 the property is owned by the city or the county has approved  
31 23 the serving of food and beverages on the property if the  
31 24 property is owned by the county. The exemption for property  
31 25 owned by a city or county also applies to property which is  
31 26 located at an airport and leased to a fixed base operator  
31 27 providing aeronautical services to the public.

31 28 Sec. 58. Section 427.1, subsection 21A, Code Supplement  
31 29 2005, is amended to read as follows:

31 30 21A. DWELLING UNIT PROPERTY OWNED BY NONPROFIT

31 31 ORGANIZATIONS. Dwelling unit property owned and managed by a  
31 32 nonprofit organization if the nonprofit organization owns and  
31 33 manages more than forty dwelling units that are located in a  
31 34 city with a population of more than one hundred ten thousand  
31 35 which has a public housing authority that does not own or  
32 1 manage housing stock for the purpose of low-rent housing. For  
32 2 the 2005 and 2006 assessment years, an application is not  
32 3 required to be filed to receive the exemption. For the 2007  
32 4 and subsequent assessment years, an application for exemption  
32 5 must be filed with the assessing authority not later than  
32 6 February 1 of the assessment year for which the exemption is  
32 7 sought. Upon the filing and allowance of the claim, the claim  
32 8 shall be allowed on the property for successive years without  
32 9 further filing as long as the property continues to qualify  
32 10 for the exemption.

32 11 Sec. 59. Section 427A.1, Code 2005, is amended by adding  
32 12 the following new subsection:

32 13 NEW SUBSECTION. 5A. Notwithstanding the other provisions  
32 14 of this section, property that is equipment used for the  
32 15 washing, waxing, drying, or vacuuming of motor vehicles and  
32 16 point-of-sale equipment necessary for the purchase of car wash  
32 17 services shall not be assessed and taxed as real property.

32 18 Sec. 60. Section 432.12C, Code 2005, is amended to read as  
32 19 follows:

32 20 432.12C INVESTMENT TAX CREDITS.

32 21 1. The tax imposed under this chapter shall be reduced by  
32 22 an investment tax credit authorized pursuant to section 15E.43  
32 23 for an investment in a qualifying business or a  
32 24 community-based seed capital fund.

32 25 2. The taxes imposed under this division shall be reduced  
32 26 by investment tax credits authorized pursuant to sections  
32 27 15.333A and 15E.193B, subsection 6.

32 28 Sec. 61. NEW SECTION. 432.12H TAX CREDIT FOR CERTAIN  
32 29 SALES TAXES PAID BY THIRD-PARTY DEVELOPERS.

32 30 The taxes imposed under this chapter shall be reduced by a  
32 31 tax credit authorized pursuant to section 15.331C for certain  
32 32 sales taxes paid by a third-party developer.

32 33 Sec. 62. NEW SECTION. 432.12I IOWA FUND OF FUNDS TAX  
32 34 CREDIT.

32 35 The taxes imposed under this chapter shall be reduced by a  
33 1 tax credit authorized pursuant to section 15E.66, if redeemed,  
33 2 for investments in the Iowa fund of funds.

33 3 Sec. 63. Section 441.38, subsection 2, Code Supplement  
33 4 2005, is amended to read as follows:

33 5 2. Notice If the appeal to district court is taken from  
33 6 the action of the local board of review, notice of appeal

33 7 shall be served as an original notice on the chairperson,  
33 8 presiding officer, or clerk of the board of review ~~within~~  
~~33 9 twenty days after its adjournment or May 31, whichever is~~  
~~33 10 later, and after the filing of notice under subsection 1 with~~  
33 11 the clerk of district court. If the appeal to district court  
33 12 is taken from the action of the property assessment appeal  
33 13 board, notice of appeal shall be served as an original notice  
33 14 on the secretary of the property assessment appeal board, ~~if~~  
~~33 15 applicable after the filing of notice under subsection 1 with~~  
33 16 the clerk of district court.

33 17 Sec. 64. Section 468.55, Code 2005, is amended to read as  
33 18 follows:

33 19 468.55 ASSESSMENTS == MATURITY AND COLLECTION.

33 20 If a landowner selects an option provided in section  
33 21 468.57, all drainage or levee tax assessments become due and  
33 22 payable with the first half of ordinary taxes, and shall be  
33 23 collected in the same manner with the same interest for  
33 24 delinquency and the same manner of enforcing collection by tax  
33 25 sales. As an alternative, the ~~certifying authority may~~  
~~33 26 request that landowner may pay~~ the annual installment ~~be~~  
~~33 27 payable~~ in two equal payments, one-half with the September  
33 28 payment of ordinary taxes and one-half payable with the March  
33 29 payment of ordinary taxes. All drainage or levee tax  
33 30 assessments not optioned for installment payments by the  
33 31 landowner shall become due and payable within thirty days  
33 32 after the levy of assessments.

33 33 Sec. 65. Section 533.24, Code Supplement 2005, is amended  
33 34 by adding the following new subsections:

33 35 NEW SUBSECTION. 8. The moneys and credits tax imposed  
34 1 under this section shall be reduced by an investment tax  
34 2 credit authorized pursuant to section 15.333.

34 3 NEW SUBSECTION. 9. The moneys and credits tax imposed  
34 4 under this section shall be reduced by a tax credit authorized  
34 5 pursuant to section 15.331C for certain sales taxes paid by a  
34 6 third-party developer.

34 7 NEW SUBSECTION. 10. The moneys and credits tax imposed  
34 8 under this section shall be reduced by a tax credit authorized  
34 9 pursuant to section 15E.66, if redeemed, for investments in  
34 10 the Iowa fund of funds.

34 11 Sec. 66. 2005 Iowa Acts, chapter 140, section 72, is  
34 12 amended to read as follows:

34 13 SEC. 72. REFUNDS. Refunds of taxes, interest, or  
34 14 penalties which arise from claims resulting from the amendment  
34 15 to section 423.3, subsection 5, in this division of this Act,  
34 16 for the sale of agricultural drain tile materials occurring  
34 17 between January 1, 1998, and the effective date of the section  
34 18 amending section 423.3, subsection 5, in this division of this  
34 19 Act, shall be limited to ~~twenty-five~~ fifty thousand dollars in  
34 20 the aggregate and shall not be allowed unless refund claims  
34 21 are filed prior to October 1, 2005, notwithstanding any other  
34 22 provision of law. If the amount of claims totals more than  
34 23 ~~twenty-five~~ fifty thousand dollars in the aggregate, the  
34 24 department of revenue shall prorate the ~~twenty-five~~ fifty  
34 25 thousand dollars among all claimants in relation to the  
34 26 amounts of the claimants' valid claims.

34 27 Sec. 67. 2005 Iowa Acts, chapter 179, section 100, is  
34 28 amended to read as follows:

34 29 SEC. 100. COUNTY REAL ESTATE ELECTRONIC GOVERNMENT  
34 30 ADVISORY COMMITTEE.

34 31 1. A county real estate electronic government advisory  
34 32 committee is created. ~~Staffing services for the advisory~~  
~~34 33 committee shall be provided by the auditor of state.~~ The  
34 34 advisory committee membership shall consist of the following:

34 35 a. Two members selected by the Iowa state association of  
35 1 county auditors.  
35 2 b. Two members selected by the Iowa state county  
35 3 treasurers association.  
35 4 c. Two members selected by the Iowa county recorders  
35 5 association.  
35 6 d. Two members selected by the Iowa state association of  
35 7 assessors.  
35 8 e. One member selected by each of the following  
35 9 organizations:

35 10 (1) Iowa state association of counties.  
35 11 (2) Iowa land title association.  
35 12 (3) Iowa bankers association.  
35 13 (4) Iowa credit union league.  
35 14 (5) Iowa state bar association.  
35 15 (6) Iowa association of realtors.

35 16 2. The county real estate electronic government advisory  
35 17 committee shall facilitate discussion to integrate the county

35 18 land record information system ~~created pursuant to section~~  
~~35 19 331.605C~~ with the electronic government internet applications  
35 20 of county treasurers, county recorders, county auditors, and  
35 21 county assessors. The advisory committee shall file an  
35 22 updated integration plan with the governor and the general  
35 23 assembly on or before November 1, ~~2005~~ 2006.

35 24 Sec. 68. 2005 Iowa Acts, chapter 179, section 101,  
35 25 subsection 3, is repealed.

35 26 Sec. 69. EFFECTIVE AND APPLICABILITY DATES.

35 27 1. The sections of this division of this Act amending  
35 28 section 422.12C, subsection 2, apply retroactively to January  
35 29 1, 2006, for tax years beginning on or after that date.

35 30 2. The section of this division of this Act amending  
35 31 section 425.11, being deemed of immediate importance, takes  
35 32 effect upon enactment and applies to taxes due and payable in  
35 33 fiscal years beginning on or after July 1, 2006.

35 34 3. The section of this division of this Act enacting  
35 35 section 427A.1, subsection 5A, being deemed of immediate  
36 1 importance, takes effect upon enactment and applies  
36 2 retroactively to January 1, 2006, for assessment years  
36 3 beginning on or after that date.

36 4 4. The section of this division of this Act amending 2005  
36 5 Iowa Acts, chapter 140, section 72, being deemed of immediate  
36 6 importance, takes effect upon enactment and applies  
36 7 retroactively to June 30, 2005.

## 36 8 DIVISION II

### 36 9 STREAMLINED SALES AND USE TAX UPDATES

36 10 Sec. 70. Section 423.2, subsection 8, Code Supplement  
36 11 2005, is amended by striking the subsection and inserting in  
36 12 lieu thereof the following:

36 13 8. a. A tax of five percent is imposed on the sales price  
36 14 from sales of bundled transactions. For the purposes of this  
36 15 subsection, a "bundled transaction" is the retail sale of two  
36 16 or more distinct and identifiable products, except real  
36 17 property and services to real property, which are sold for one  
36 18 nonitemized price. A "bundled transaction" does not include  
36 19 the sale of any products in which the sales price varies, or  
36 20 is negotiable, based on the selection by the purchaser of the  
36 21 products included in the transaction.

36 22 b. "Distinct and identifiable products" does not include  
36 23 any of the following:

36 24 (1) Packaging or other materials that accompany the retail  
36 25 sale of the products and are incidental or immaterial to the  
36 26 retail sale of the products.

36 27 (2) A product provided free of charge with the required  
36 28 purchase of another product. A product is "provided free of  
36 29 charge" if the sales price of the product purchased does not  
36 30 vary depending on the inclusion of the product which is  
36 31 provided free of charge.

36 32 (3) Items included in the definition of "sales price"  
36 33 pursuant to section 423.1.

36 34 c. "One nonitemized price" does not include a price that  
36 35 is separately identified by product on binding sales or other  
37 1 supporting sales-related documentation made available to the  
37 2 customer in paper or electronic form.

37 3 Sec. 71. Section 423.18, Code Supplement 2005, is amended  
37 4 by striking the section and inserting in lieu thereof the  
37 5 following:

#### 37 6 423.18 MULTIPLE POINTS OF USE.

37 7 1. Notwithstanding the provisions of section 423.15, a  
37 8 business purchaser that is not a holder of a direct pay permit  
37 9 that knows at the time of purchase of a digital good, computer  
37 10 software, or a service that the digital good, computer  
37 11 software, or service will be concurrently available for use in  
37 12 more than one jurisdiction shall deliver to the seller in  
37 13 conjunction with its purchase an exemption certificate  
37 14 claiming multiple points of use or meet the requirements of  
37 15 subsection 2 or 3. For the purpose of this section only,  
37 16 "computer software" includes but is not limited to computer  
37 17 software delivered electronically, by load and leave, or in  
37 18 tangible form. "Computer software" does not include computer  
37 19 software received in person by a business purchaser at a  
37 20 business location of the seller.

37 21 a. Upon receipt of an exemption certificate claiming  
37 22 multiple points of use, the seller is relieved of all  
37 23 obligation to collect, pay, or remit the applicable tax, and  
37 24 the purchaser shall be obligated to collect, pay, or remit the  
37 25 applicable tax on a direct pay basis.

37 26 b. A purchaser delivering an exemption certificate  
37 27 claiming multiple points of use may use any reasonable, but  
37 28 consistent and uniform, method of apportionment that is

37 29 supported by the purchaser's business books and records as  
37 30 they exist at the time the transaction is reported for sales  
37 31 or use tax purposes.

37 32 c. A purchaser delivering an exemption certificate  
37 33 claiming multiple points of use shall report and pay the  
37 34 appropriate tax to each jurisdiction where concurrent use  
37 35 occurs. The tax due shall be calculated as if the apportioned  
38 1 amount of the digital good, computer software, or service had  
38 2 been delivered to each jurisdiction to which the sale is  
38 3 apportioned pursuant to paragraph "b".

38 4 d. The exemption certificate claiming multiple points of  
38 5 use shall remain in effect for all future sales by the seller  
38 6 to the purchaser, except as to the subsequent sale's specific  
38 7 apportionment that is governed by the principles of paragraphs  
38 8 "b" and "c", until the exemption certificate is revoked in  
38 9 writing.

38 10 2. Notwithstanding subsection 1, when the seller knows  
38 11 that the product will be concurrently available for use in  
38 12 more than one jurisdiction, but the purchaser does not provide  
38 13 an exemption certificate claiming multiple points of use as  
38 14 required in subsection 1, the seller may work with the  
38 15 purchaser to produce the correct apportionment. The purchaser  
38 16 and seller may use any reasonable, but consistent and uniform,  
38 17 method of apportionment that is supported by the seller's and  
38 18 purchaser's business books and records as they exist at the  
38 19 time the transaction is reported for sales or use tax  
38 20 purposes. If the purchaser certifies the accuracy of the  
38 21 apportionment and the seller accepts the certification, the  
38 22 seller shall collect and remit the tax pursuant to subsection  
38 23 1, paragraph "c". In the absence of bad faith, the seller is  
38 24 relieved of any further obligation to collect tax on any  
38 25 transaction where the seller has collected tax pursuant to the  
38 26 information certified by the purchaser.

38 27 3. When the seller knows that the product will be  
38 28 concurrently available for use in more than one jurisdiction  
38 29 and the purchaser does not have a direct pay permit and does  
38 30 not provide the seller with an exemption certificate claiming  
38 31 a multiple points of use exemption as required in subsection  
38 32 1, or certification pursuant to subsection 2, the seller shall  
38 33 collect and remit the tax based on the provisions of section  
38 34 423.15.

38 35 4. A holder of a direct pay permit shall not be required  
39 1 to deliver an exemption certificate claiming multiple points  
39 2 of use to the seller. A direct pay permit holder shall follow  
39 3 the provisions of subsection 1, paragraphs "b" and "c", in  
39 4 apportioning the tax due on a digital good, computer software,  
39 5 or a service that will be concurrently available for use in  
39 6 more than one jurisdiction.

39 7 5. Nothing in this section shall limit a person's  
39 8 obligation for sales or use tax to this state in which the  
39 9 qualifying purchases are concurrently available for use, or  
39 10 limit a person's ability under local, state, federal, or  
39 11 constitutional law, to claim a credit for sales or use taxes  
39 12 legally due and paid to other jurisdictions.

39 13 Sec. 72. Section 423.20, subsection 1, paragraph j, Code  
39 14 2005, is amended to read as follows:

39 15 j. "Postpaid calling service" means the telecommunications  
39 16 service obtained by making a payment on a call-by-call basis  
39 17 either through the use of a credit card or payment mechanism  
39 18 such as a bank card, travel card, credit card, or debit card,  
39 19 or by charge made to a telephone number which is not  
39 20 associated with the origination or termination of the  
39 21 telecommunications service. A "postpaid calling service"  
39 22 includes a telecommunications service, except a prepaid  
39 23 wireless calling service, that would be a prepaid calling  
39 24 service except it is not exclusively a telecommunications  
39 25 service.

39 26 Sec. 73. Section 423.20, subsection 1, Code 2005, is  
39 27 amended by adding the following new paragraph after paragraph  
39 28 k, and relettering the remaining paragraphs:

39 29 NEW PARAGRAPH. 1. "Prepaid wireless calling service"  
39 30 means a telecommunications service that provides the right to  
39 31 utilize mobile wireless service as well as other  
39 32 nontelecommunications services, including the download of  
39 33 digital products delivered electronically, content and  
39 34 ancillary services, which must be paid for in advance and that  
39 35 is sold in predetermined units or dollars of which the amount  
40 1 declines with use in a known amount.

40 2 Sec. 74. Section 423.20, subsection 2, paragraph c,  
40 3 subparagraphs (1) and (3), Code 2005, are amended to read as  
40 4 follows:

40 5 (1) A sale of mobile telecommunications services other  
40 6 than air-to-ground radiotelephone service, ~~or prepaid calling~~  
40 7 ~~service, or prepaid wireless calling service~~ is sourced to the  
40 8 customer's place of primary use as required by the federal  
40 9 Mobile Telecommunications Sourcing Act.

40 10 (3) A sale of prepaid calling service ~~or a sale of prepaid~~  
40 11 ~~wireless calling service~~ is sourced in accordance with section  
40 12 423.15. However, in the case of a sale of ~~mobile~~  
40 13 ~~telecommunications services that is a prepaid~~  
40 14 ~~telecommunications a prepaid wireless calling~~ service, the  
40 15 rule provided in section 423.15, subsection 1, paragraph "e",  
40 16 shall include as an option the location associated with the  
40 17 mobile telephone number.

40 18 Sec. 75. Section 423.45, subsection 4, paragraph b, Code  
40 19 2005, is amended to read as follows:

40 20 b. The sales tax liability for all sales of tangible  
40 21 personal property and all sales of services is upon the seller  
40 22 and the purchaser unless the seller takes ~~in good faith~~ from  
40 23 the purchaser a valid exemption certificate stating under  
40 24 penalty of perjury that the purchase is for a nontaxable  
40 25 purpose and is not a retail sale as defined in section 423.1,  
40 26 or the seller is not obligated to collect tax due, or unless  
40 27 the seller takes a fuel exemption certificate pursuant to  
40 28 subsection 5. If the tangible personal property or services  
40 29 are purchased tax free pursuant to a valid exemption  
40 30 certificate ~~which is taken in good faith by the seller~~, and  
40 31 the tangible personal property or services are used or  
40 32 disposed of by the purchaser in a nonexempt manner, the  
40 33 purchaser is solely liable for the taxes and shall remit the  
40 34 taxes directly to the department and sections 423.31, 423.32,  
40 35 423.37, 423.38, 423.39, 423.40, 423.41, and 423.42 shall apply  
41 1 to the purchaser.

41 2 Sec. 76. Section 423.45, subsection 4, paragraph d, Code  
41 3 2005, is amended by striking the paragraph and inserting in  
41 4 lieu thereof the following:

41 5 d. The protection afforded a seller by paragraph "b" does  
41 6 not apply to a seller who fraudulently fails to collect tax or  
41 7 to a seller who solicits purchasers to participate in the  
41 8 unlawful claim of an exemption.

41 9 Sec. 77. Section 423.51, subsection 2, Code 2005, is  
41 10 amended to read as follows:

41 11 2. Sellers that follow the requirements of this section  
41 12 are relieved from any tax otherwise applicable if it is  
41 13 determined that the purchaser improperly claimed an exemption  
41 14 and that the purchaser is liable for the nonpayment of tax.  
41 15 This relief from liability does not apply to a seller who  
41 16 ~~fraudulently does any of the following:~~

41 17 a. ~~Fraudulently fails to collect the tax or solicits tax.~~  
41 18 b. ~~Solicits~~ purchasers to participate in the unlawful  
41 19 claim of an exemption.

41 20 c. ~~Accepts an exemption certificate when the purchaser~~  
41 21 ~~claims an entity-based exemption when the following conditions~~  
41 22 ~~are met:~~

41 23 (1) ~~The subject of the transaction sought to be covered by~~  
41 24 ~~the exemption certificate is actually received by the~~  
41 25 ~~purchaser at a location operated by the seller.~~

41 26 (2) ~~The state provides an exemption certificate that~~  
41 27 ~~clearly and affirmatively indicates that the claimed exemption~~  
41 28 ~~is not available in the state.~~

41 29 d. ~~Accepts an exemption certificate claiming multiple~~  
41 30 ~~points of use for tangible personal property other than~~  
41 31 ~~computer software for which an exemption claiming multiple~~  
41 32 ~~points of use is acceptable under section 423.18.~~

41 33 Sec. 78. Section 423.51, Code 2005, is amended by adding  
41 34 the following new subsections:

41 35 **NEW SUBSECTION.** 3. a. A seller otherwise obligated to  
42 1 collect tax from a purchaser is relieved of that obligation if  
42 2 the seller obtains a fully completed exemption certificate or  
42 3 secures the relevant data elements of a fully completed  
42 4 exemption certificate within ninety days after the date of  
42 5 sale.

42 6 b. If the seller has not obtained an exemption certificate  
42 7 or all relevant data elements as provided in paragraph "a",  
42 8 the seller may, within one hundred twenty days after a request  
42 9 for substantiation by the department, either prove that the  
42 10 transaction was not subject to tax by other means or obtain a  
42 11 fully completed exemption certificate from the purchaser,  
42 12 taken in good faith.

42 13 c. Nothing in this subsection shall affect the ability of  
42 14 the state to require purchasers to update exemption  
42 15 certificate information or to reapply with the state to claim

42 16 certain exemptions.  
42 17 d. Notwithstanding paragraphs "a", "b", and "c", a seller  
42 18 is relieved of its obligation to collect tax from a purchaser  
42 19 if the seller obtains a blanket exemption certificate from the  
42 20 purchaser, and the seller and purchaser have a recurring  
42 21 business relationship. For the purposes of this paragraph, a  
42 22 recurring business relationship exists when a period of no  
42 23 more than twelve months elapses between sales transactions.  
42 24 The department may not request from the seller renewal of  
42 25 blanket certificates or updates of exemption certificate  
42 26 information or data elements when there is a recurring  
42 27 business relationship between the purchaser and seller.

42 28 NEW SUBSECTION. 4. All relief that this section provides  
42 29 to sellers is also provided to certified service providers  
42 30 under this chapter.

42 31 Sec. 79. Section 423.52, Code 2005, is amended to read as  
42 32 follows:

42 33 423.52 RELIEF FROM LIABILITY FOR SELLERS AND CERTIFIED  
42 34 SERVICE PROVIDERS.

42 35 1. Sellers and certified service providers using databases  
43 1 derived from zip codes or state or vendor provided  
43 2 address-based databases are relieved from liability to this  
43 3 state or its local taxing jurisdictions for having charged and  
43 4 collected the incorrect amount of sales or use tax resulting  
43 5 from the seller or certified service provider relying on  
43 6 erroneous data provided by this state on tax rates,  
43 7 boundaries, or taxing jurisdiction assignments. If this state  
43 8 provides an address-based system for assigning taxing  
43 9 jurisdictions whether or not pursuant to the federal Mobile  
43 10 Telecommunications Sourcing Act, the director is not required  
43 11 to provide liability relief for errors resulting from reliance  
43 12 on the information provided by this state if the director has  
43 13 given adequate notice, as determined by the governing board,  
43 14 to affected parties of the decision to end this relief.

43 15 2. a. Model 2 sellers and certified service providers are  
43 16 relieved of liability to Iowa for any failure to charge and  
43 17 collect the correct amount of sales or use tax if this failure  
43 18 results from the model 2 seller's or the certified service  
43 19 provider's reliance upon this state's certification to the  
43 20 governing board that Iowa has accepted the governing board's  
43 21 certification of a piece of software as a certified automated  
43 22 system. The relief provided by this paragraph to a model 2  
43 23 seller or certified service provider does not extend to a  
43 24 seller or provider who has incorrectly classified an item or  
43 25 transaction into the product-based exemptions portion of a  
43 26 certified automated system. However, any model 2 seller or  
43 27 certified service provider who has relied upon an individual  
43 28 listing of items or transactions within a product definition  
43 29 approved by the governing board or Iowa may claim the relief  
43 30 allowed by this paragraph.

43 31 b. If the department determines that an item or  
43 32 transaction is incorrectly classified as to its taxability,  
43 33 the department shall notify the model 2 seller or certified  
43 34 service provider of the incorrect classification. The model 2  
43 35 seller or certified service provider shall have ten days to  
44 1 revise the classification after receipt of notice of the  
44 2 determination. Upon expiration of the ten days, the model 2  
44 3 seller or certified service provider shall be liable for the  
44 4 failure to collect the correct amount of sales or use taxes  
44 5 due and owing to the member state.

44 6 Sec. 80. EFFECTIVE DATES.

44 7 1. Except as provided in subsection 2, this division of  
44 8 this Act takes effect January 1, 2008.

44 9 2. The sections of this division of this Act amending  
44 10 section 423.45, subsection 4, and section 423.52, being deemed  
44 11 of immediate importance, take effect upon enactment.

44 12  
44 13  
44 14

44 15 \_\_\_\_\_  
44 16 CHRISTOPHER C. RANTS  
44 17 Speaker of the House

44 18 \_\_\_\_\_  
44 19 JEFFREY M. LAMBERTI  
44 20 President of the Senate

44 21  
44 22  
44 23 I hereby certify that this bill originated in the House and  
44 24 is known as House File 2794, Eighty-first General Assembly.

44 25  
44 26

44 27  
44 28  
44 29 MARGARET THOMSON  
44 30 Chief Clerk of the House  
44 30 Approved \_\_\_\_\_, 2006  
44 31  
44 32  
44 33  
44 34 THOMAS J. VILSACK  
44 35 Governor